

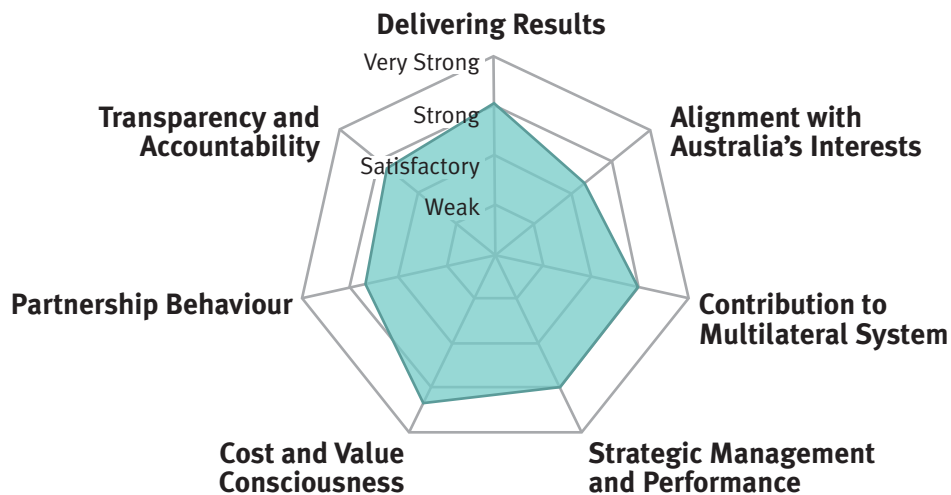


Australian Multilateral Assessment March 2012

# Multilateral Fund for the Implementation of the Montreal Protocol (MLF)



## OVERVIEW OF ORGANISATION RATINGS



## ORGANISATION OVERVIEW

The mandate of the Multilateral Fund for the Implementation of the Montreal Protocol (MLF) is to assist developing country parties to the Montreal Protocol phase out ozone-depleting substances. The fund is replenished by donors on a three-year basis.

Over the period 1991 to 2011, pledges amounted to more than US\$2.9 billion. Australia contributes funding through AusAID, and is one of 14 members of the executive committee that manages MLF. Since 1994 Australia has contributed \$74 million to the fund. Between 2005 and 2010, Australia provided average yearly voluntary core contributions of \$3.5 million. Australia did not provide any funding in 2010–11.

## RESULTS AND RELEVANCE

### 1. Delivering results on poverty and sustainable development in line with mandate

**STRONG**

MLF has a strong record in supporting the reduction of ozone depleting substances and is very good at communicating its impressive environmental results. For example, with MLF assistance, developing countries have permanently phased out 446 798 tons of ozone depleting substances. Global observations have verified that atmospheric levels of key ozone depleting substances are going down. However, MLF does not have a specific mandate to achieve development outcomes, and therefore is not as strong at communicating how these environmental outcomes lead to broader development outcomes.

MLF plays a role in improving effectiveness through results monitoring. It consistently monitors project implementation and project development. MLF's senior monitoring and evaluations officer undertakes project evaluations, and the results inform project design and decision making.

MLF's mandate means its activities do not directly target the poorest.

### a) Demonstrates development or humanitarian results consistent with mandate

**STRONG**

The MLF is very strong in achieving and communicating environmental results consistent with its mandate.

The phase out of the consumption and production of ozone depleting substances in developing countries (global program) has been successful to date. More specific results of the broader program are as follows:

- > The Parties to the Protocol have phased out the production and consumption of over 95 per cent of all of the chemicals controlled by the Protocol.  
Hydrochlorofluorocarbons (HCFCs) remain the last major class of ozone depleting substances to phase out.
- > Global observations have verified that atmospheric levels of key ozone depleting substances are going down and it is believed that with implementation of the Protocol's provisions the ozone layer should return to pre-1980 levels by 2040–60 if all countries continue to meet their obligations.
- > With the assistance of the Multilateral Fund, developing countries have permanently phased out 446 798 tons of ozone depleting substances (ODS) that had been used to produce various products, representing over 98 per cent of the ozone depleting substances to be eliminated through already approved projects. New projects to assist developing countries with their phase out of HCFCs started being approved in 2010 and will continue in 2012.
- > In the process of the phase out, most countries (both developed and developing), have met their phase out targets, and in some cases, well ahead of schedule.

The MLF does not have a specific mandate to achieve development outcomes, and therefore has not been required to communicate development results although its environmental outcomes do link indirectly with development outcomes.

<b>b) Plays critical role in improving aid effectiveness through results monitoring</b>	<b>STRONG</b>
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The executive committee and the secretariat consistently monitor the implementation of projects and agreements in order to ensure that objectives are met and value for money attained. Milestones and progress reports are regularly checked to ensure performance indicators are met. Delayed activities are scrutinised and payments can be withheld to ensure implementation. Occasionally projects are cancelled. In July 2010, three projects were cancelled (in Ethiopia, Kuwait and Libya) as progress had not been reported for an extended period. Letters of possible cancellation are also sent where progress has been limited or not achieved. Since 1991, 242 projects and activities have been cancelled and funds returned for re-programming.

The senior monitoring and evaluation officer also undertakes thematic evaluations which highlight the strengths and weaknesses of project implementation to inform future decision making.

Furthermore, audits are required to be completed to ensure that outcomes in project reports are verified. The verifications are conducted by independent consultants and any discrepancies are brought to the attention of the executive committee.

<b>c) Where relevant, targets the poorest people and in areas where progress against the MDGs is lagging</b>	<b>N/A</b>
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The MLF provides funding to developing countries in line with its mandate under the Montreal Protocol. This mandate does not include targeting the poorest people making this component not applicable.

<b>2. Alignment with Australia’s aid priorities and national interests</b>	<b>SATISFACTORY</b>
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Australia has been a leading supporter of international efforts to protect the ozone layer since the 1980s and is active in MLF.

MLF’s work aligns with the Australian aid program strategic goal of sustainable economic development, in particular reducing the negative impacts of environmental factors.

MLF focuses on the crosscutting issue of environmentally sustainable development as part of its mandate. It also aims to mitigate the effects its activities have on climate change. For example, incentives are provided to enterprises to select climate friendly alternative technologies.

MLF does not have a policy on gender or people with disabilities. Instead it relies on the policies and action plans of its four implementing agencies—United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), United Nations Industrial Development Organization (UNIDO) and the World Bank.

A number of projects in fragile states are supported by MLF, including successful projects in Afghanistan. MLF does not have a specific model, nor does it provide guidance to implementing agencies working in fragile states. Instead it relies on the policies and procedures of its implementing agencies.

**a) Allocates resources and delivers results in support of, and responsive to, Australia’s development objectives**

**STRONG**

Australia has been a leading advocate of international efforts to protect the ozone layer since the early 1980’s, ratifying the protocol and its amendments and meeting our phase out obligations.

Australia contributes to the MLF to assist developing countries to meet their obligations. The MLF has an extensive reach well beyond that of our current country and regional programs.

Australia has also undertaken a number of bilateral projects in developing countries, as part of its contribution to the MLF. Through these projects, Australia applies its skills and technology to assist other countries. Australia is currently working with Indonesia on its HCFCs phase out management plan, approved in July 2011.

The MLF is responsive to Australian requests. For example, the MLF provides timely responses to questions on project proposals and has recently been responsive to Australian observations in relation budgets at the executive committee.

**b) Effectively targets development concerns and promotes issues consistent with Australian priorities**

**SATISFACTORY**

Supporting the MLF is in line with the key development objective of reducing the negative impacts of climate change and other environmental factors outlined in *An Effective Aid Program for Australia*.

As well as environmental benefits, the fund has secondary sustainable development benefits, such as the reduction of health risks. Failure to address ozone layer depletion would have a significant adverse impact on health outcomes globally.

**c) Focuses on crosscutting issues, particularly gender, environment and people with disabilities**

**SATISFACTORY**

The financial and technical assistance provided through the MLF is delivered primarily by four implementing agencies—United Nations Environment Program (UNEP), United Nations Development Programme (UNDP), United Nations Industrial Development Organization (UNIDO), and the World Bank.

Each of these organisations has adopted specific gender action plans, methodologies and/or training tools. For example, in 2007, the World Bank launched the four-year action plan *Gender Equality as Smart Economics* to help increase women’s economic opportunities. However, the MLF itself does not have a gender policy or a policy on people with disabilities.

The MLF is strong in addressing the crosscutting issue of climate change. Some technologies which can replace ODS are harmful to the climate. To address this, the MLF secretariat has developed a climate impact indicator tool to provide information to members on the climate effect of different technology choices which is being considered by the executive committee at present. The executive committee also encourages developing countries to consider technology alternatives to HCFCs that do not contribute to climate change. This includes providing additional funding of 25 per cent to use climate friendly alternatives. Projects which use low global warming potential alternatives or more energy efficient technologies are being prioritised for transition at present.

Through its work on ozone layer depletion, the MLF also indirectly addresses health issues, such as reductions in eye cataracts and skin cancer (through more ozone layer protection from UV radiation) and asthma (through better access to non-CFC metered-dose inhalers).

**d) Performs effectively in fragile states**

**SATISFACTORY**

The MLF has supported a number of projects in fragile states, including successful projects in Afghanistan. In other fragile states such as Haiti, the MLF has faced considerable difficulties: since the earthquake these have impacted on its effectiveness. MLF is actively addressing these challenges, has reconsidered its approach and is allocating further funding and resources to address these issues.

The MLF does not have a specific model, nor provide guidance to implementing agencies that work in fragile states, relying on the policies and procedures of its implementing agencies.

**3. Contribution to the wider multilateral development system**

**STRONG**

MLF has been successful in coordinating global efforts to phase out the use of ozone depleting substances. Through its guidelines and project implementation, it has coordinated international efforts to fundamentally transform a range of industries including aerosol, foam, fire suppression, metered-dose inhalers, refrigeration and air conditioning.

MLF has provided large-scale funding of more than US\$2.8 billion up to December 2011, to support more than 6800 projects and activities in 144 developing countries to phase out ozone depleting substances.

It fills a policy and knowledge gap by raising awareness in developing countries on ozone depleting substances and providing technological support and technical assistance to help developing countries reach their targets. This has generally been effective as evidenced by MLF's results.

<b>a) Plays a critical role at global or national-level in coordinating development or humanitarian efforts</b>	<b>STRONG</b>
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It is not in MLF’s mandate to coordinate humanitarian efforts. It coordinates the international effort of eliminating ODS, which, if not controlled would adversely impact on development. Through its guidelines and project implementation, it has coordinated international efforts to fundamentally transform a range of industries including aerosol, foam, fire suppression, metered-dose inhalers, refrigeration and air conditioning. It has also created a common platform for effective joint efforts to address ODS. By working with four multilateral organisations (UNEP, UNDP, UNIDO and World Bank) and many bilateral agencies as implementing organisations, it has streamlined efforts to address ODS and facilitated these organisations developing the necessary expertise to best deal with the problem.

<b>b) Plays a leading role in developing norms and standards or in providing large-scale finance or specialist expertise</b>	<b>STRONG</b>
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Technologies must be proven and established before receiving support from the MLF, although the MLF has funded the development, validation and implementation of alternative technologies through demonstration projects that assist in the dissemination of new technologies from developed to developing countries. It also fine-tunes the uptake of these technologies in different environmental conditions or in different legal or cultural contexts.

MLF provides large-scale financing for projects which eliminate ODS. To date more than US\$2.8 billion has been approved to support 6874 projects and activities in 144 developing countries.

It also provides specialist expertise in this area through experts provided by the various implementing agencies and their consultants. A standing subsidiary body of the Montreal Protocol, the technical economic assessment panel, provides technological assessments to Montreal Protocol parties which generally assists with technology transition. Some members of this panel also provide technical advice to the MLF implementing agencies directly.

<b>c) Fills a policy or knowledge gap or develops innovative approaches</b>	<b>STRONG</b>
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As outlined in the section above, the MLF fills policy and knowledge gaps by developing innovative approaches to deal with alternatives to ODS for industries such as aerosol, metered-dose inhalers, halon and others. All countries have been provided with assistance to establish recycling and recovery systems for ODS as part of their national ODS phase out plans. The MLF is also providing limited funding to some countries to demonstrate the feasibility of ODS disposal activities.

It also serves as a catalyst for raising awareness and encouraging action to address ozone issues in developing countries. The provision of institutional strengthening funding for developing countries (a small payment per year to support national ozone officers) has



been instrumental in ensuring a high level of commitment to meeting Montreal Protocol objectives and in helping countries build institutional capacity. In addition, the provision of funding for a compliance assistance program, which is managed by UNEP, facilitates the sharing of information and experiences at network meetings and by other means which is a key support mechanism for countries.

The executive committee has initiated country-driven, performance based, multi-year agreements with recipient countries which lay out annual funding amounts that are released upon verification of ODS reduction targets being met. These agreements contain both flexibility clauses to enable countries to respond to issues as they arise, and penalty clauses for failure to meet reduction targets.

The MLF has also used innovative approaches to address difficult issues. For example, some ODS reducing projects and activities are not eligible for full funding in the form of grants from MLF. To address this, the executive council invited the secretariat and implementing agencies to consider how to leverage forms of innovative funding, including financing from the private sector to support these projects. It also provided funding to the World Bank for a comprehensive report which explored the way private sector funding could be mobilised to assist developing countries in phasing out ODS and to provide an overview on how concessional funding and other forms of innovative funding can be used to make the most effective use of MLF resources.

## ORGANISATIONAL BEHAVIOUR

### 4. Strategic management and performance

**STRONG**

MLF has a clear mandate to assist developing countries in phasing out ozone depleting substances in line with the Montreal Protocol. It develops country programs for all relevant countries, setting out a strategy and action plan for each country to follow to phase out the consumption and production of ozone depleting substances according to Montreal Protocol schedules. Its policies, procedures, guidelines and criteria document covers what has been decided in this area by the parties to the Montreal Protocol and its executive committee. The document guides MLF's decision making.

MLF's executive committee is effective and follows guidance from the meeting of the parties. The executive committee guides the work of MLF's secretariat at every meeting. The secretariat is very responsive to formal and informal requests from the executive committee.

MLF has a sound framework for monitoring and evaluating projects and activities which commences with a business planning process. The senior monitoring and evaluation officer undertakes sectoral analyses and evaluates country phase out plans. Four assessments of the fund have been initiated by Montreal Protocol parties in 1994, 1996, 2004 and a review was initiated in 2010, which will be presented to parties in 2012.

MLF leadership is effective and has succeeded in achieving impressive results by driving initiatives and focusing on value for money. MLF staff are competent and are hired on a meritocratic basis.

<b>a) Has clear mandate, strategy and plans effectively implemented</b>	<b>STRONG</b>
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The MLF has a clear mandate to assist developing countries in phasing out ODS in line with the Montreal Protocol. The MLF stays true to its mandate through its strategy, plans and activities.

To receive support from the MLF, a developing country works with an implementing agency to develop a national program for the phase out of ODS. The implementing agency assists the government of the developing country in designing a strategic plan for phasing out of ODS in that country. The plan takes into account the country's ODS production and consumption habits and an analysis of the structure of the ODS industry in that country, as well as an assessment of alternative technologies and alternative phase out schedules. Developing countries must also provide action plans, which include a prospective regulatory framework, as well as legislation supporting the phase out of ODS. MLF's policies, procedures, guidelines and criteria document covers what has been decided in this area by the parties to the Montreal Protocol and its executive committee. The document guides MLF's decision making.

Future funding of HCFC plans is predicated on national level controls on ODS imports and exports being in place and effective. Three-yearly advance business plans are also agreed for each country and implementing agency.

The country programs prepared in the initial years of the MLF were criticised for lacking country ownership. In the 1990s the *Consulting Within Engineering, Environmental Science and Economics (COWI) Evaluation* found significant costs being incurred as a result of delays in the processing of projects, approvals and implementation. Country programs were updated and national ODS phase out plans were subsequently approved as implementation agreements to enhance country ownership. Country ownership of projects and phase out plans is now very high with often top level support for activities, as demonstrated in national HCFC phase out management plans now being approved. Some plans have very high levels of implementation by the recipient country, such as the plan for China. In other cases, countries allow the implementing agency to take the major running on implementing the plan.

<b>b) Governing body is effective in guiding management</b>	<b>STRONG</b>
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The parties to the Montreal Protocol provide overall guidance to the executive committee through Article 10 of the Protocol. The executive committee manages the fund with equal representation by seven industrialised and seven developing countries that are annually elected by the parties. The executive committee annually reports to the meeting of the parties. The fund secretariat is responsible for the day-to-day operations of the fund.

The meeting of the parties will occasionally request the executive committee to focus on particular issues or extend funding depending on the priorities of the parties. For example, at the twenty-first meeting of the parties, the executive committee was urged to continue to provide funding for institutional strengthening in developing countries.



The executive committee effectively guides the work of the secretariat through its decisions. The secretariat is very responsive to formal and informal requests from the executive committee. For example, if a member of the executive committee emails the secretariat with questions about a project prior to a meeting, the secretariat responds within days. This means that issues can be addressed prior to meetings and meetings are more efficient and effective.

<b>c) Has a sound framework for monitoring and evaluation, and acts promptly to realign or amend programs not delivering results</b>	<b>STRONG</b>
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The MLF has an extensive monitoring system that is anchored by annual financial and progress reports of bilateral and implementing agencies as well as through progress reports submitted as part of annual tranche funding requests for multi-year performance-based agreements. In addition, the executive committee has requested specific reporting requirements for several projects. Annual progress reports address project implementation delays and impediments resulting in suggestions for additional monitoring and leading to possible project cancellation.

Annual tranche requests are monitored for their timely submission. Tranches where 20 per cent of initial funding has not been used are not renewed until funds are disbursed. Institutional strengthening is also renewed biennially based on a request and a review of activities. Multi-year agreements are renewed primarily on the basis of meeting required reductions in the consumption or production of ODS. Independent technical audits are provided to verify these results. The monitoring activities of the senior monitoring and evaluation officer are independent mid-term thematic evaluations. Monitoring activities are undertaken by the fund secretariat.

In addition, the performance of the implementing agencies is also assessed annually by the MLF secretariat and national ozone units. The administrative cost regime is also reviewed every three years to ensure there are sufficient funds to meet the reporting and implementation requirements of the agencies.

A senior monitoring and evaluation officer was appointed on a permanent basis by the fund secretariat in 1999, but the annual progress and financial report was established in 1992. The role of the officer is to undertake thematic evaluations and mid-term monitoring

In terms of monitoring and evaluation of the fund itself, four assessments of the fund have been initiated by Montreal Protocol parties in 1994, 1996, 2004 and a review was initiated in 2010, which will be presented to parties in 2012.

<b>d) Leadership is effective and human resources are well managed</b>	<b>STRONG</b>
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MLF leadership is effective and has succeeded in achieving impressive results by driving initiatives and focusing on value for money. Staff are hired on a meritocratic basis and are highly professional, technically able, efficient and effective.

**5. Cost and value consciousness****STRONG**

MLF's executive committee and secretariat systematically scrutinise costs and assess value for money for every project through the business planning process and before it is approved. Cost guidelines must be adhered to by implementing agencies. Before project approval, the secretariat scrutinises project plans and negotiates variable costs with each implementing agency. The executive committee then scrutinises the costs again. While there is sometimes disagreement between the executive committee, the secretariat and implementing agencies, this process ensures high rates of return and cost effectiveness of proposals before approval.

Through this process, value for money is systematically considered when planning programs. Problems are picked up through periodic progress reports and the tracking of project delays and finances. They are addressed as they arise.

Through this and other processes, MLF challenges its implementing partners and partner countries to consider cost and value for money.

**a) Governing body and management regularly scrutinise costs and assess value for money****VERY STRONG**

The executive committee first reviews the three-year phase out plan, then the financial plan for the triennium taking into account the budget of the fund, and then the three year business plan. At the financial and business planning stages, the committee agrees to a plan of projects and activities as well as a budget to achieve that plan. Although allocations for projects are not fixed and are generally 20–30 per cent above the level that will be approved, the planning process provides the committee with the first opportunity to accept or reject a project concept. At the project preparation stage, the committee receives more information about the planned activity. Finally, at the time of project submission, there is a further scrutiny of a detailed project budget.

The executive committee scrutinises costs and assesses value for money in relation to every single project. The executive committee published guidelines which include maximum cost effectiveness thresholds and all activities are expected to be at or below the threshold. Even activities that are on the threshold are reviewed by the secretariat and sometimes the executive committee will intervene to propose more costs effective approaches.

The MLF has set up the following processes which help introduce discipline into the process and ensure that the fund does not support ineligible costs:

- > three-year ODS phase out planning process
- > financial plan for the triennium
- > project review of funding requests at each meeting
- > project funding guidelines
- > development of an annual three-year business plan
- > preparation of periodic progress reports, and
- > monitoring of project delays, impediments and finances.

This discipline and the ability to avoid ineligible costs helps to increase the amount of projects that the fund can support within available resources.

<b>b) Rates of return and cost effectiveness are important factors in decision making</b>	<b>STRONG</b>
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Every decision that is made by the executive committee takes into account cost effectiveness. There are strict guidelines relating to costs which must be met by the implementing agencies. Any interest collected by the agencies from funds held pending is returned to the fund.

The process of project approval includes implementing agencies putting forward plans on behalf of developing countries to the secretariat. The secretariat then scrutinises the plan and negotiates costs with the implementing agency. Once the secretariat believes that the rates of return, cost effectiveness, and effectiveness generally are satisfactory, they submit the proposal to the executive committee. The executive committee then scrutinises the proposal again. There is sometimes disagreement between the executive committee, the secretariat and the implementing agencies. However, this is the best way to ensure high rates of return and cost effectiveness of proposals before they are approved. On occasion, projects are not submitted to the executive committee as they do not meet the guidelines sufficiently, or there are other concerns. These projects are usually submitted to the following meeting once concerns have been addressed.

<b>c) Challenges and supports partners to think about value for money</b>	<b>STRONG</b>
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Through the process of project approval, discussed in the criteria above, the executive committee challenges the implementing organisations and partner countries to think about value for money. This also occurs through the other mechanisms used by the MLF secretariat and the executive committee, such as financial planning, business planning, and work program review.

When reviewing business plans, work programs and projects submitted by the implementing agencies, the MLF liaises with the agencies frequently to ensure that they abide by MLF guidelines, including guidelines relating to costs. The secretariat also monitors projects implemented by implementing agencies and partner countries (through progress reports and requests for project tranche payments) to ensure that the projects approved are on track.

<b>6. Partnership behaviour</b>	<b>STRONG</b>
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MLF generally works well with its implementing agencies (UNDP, UNEP, UNIDO, the World Bank and various bilateral agencies). It also works effectively with partner governments by providing funds for institutional strengthening to support and develop local capacity to implement Montreal Protocol commitments and meet phase out targets.

MLF relies on partner implementing agencies and government systems to implement activities. Implementing agencies are well versed in working within country systems.

For example, in setting import and export quotas, the agencies work within systems operating in-country. For some countries at present, there is a high level of consultation on integration of HCFC phase out activities in national level energy efficiency or climate strategies.

Civil society is not well represented in MLF’s executive committee, with only one industry and one green representative attending as observers and only to intervene at the Chair’s discretion. However, there are no limits on the number of non-government organisations able to attend, although organisations have to apply in advance or join the delegation of an approved observer.

<b>a) Works effectively in partnership with others</b>	<b>STRONG</b>
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The MLF works effectively with partner governments through providing funds for institutional strengthening to support and develop local capacity to implement Montreal Protocol commitments and meet phase out targets. Regional networks have also been established to help developing countries access and share information on ways to meet Montreal Protocol commitments. At these network meetings, representatives of industry and other civil society organisations are sometimes invited to provide updated and latest information, such as on new technologies or on illegal trade in ODS.

MLF generally works effectively in partnership with the implementing organisations: UNEP, UNDP, UNIDO and the World Bank. In relation to the project approval process, referred to above, there can be robust discussion between the executive committee and the implementing agencies. However, most of the time agreement is reached. This sometimes adversarial approach, however, is part of the approval process and leads to better projects that meet the requirements of all parties.

<b>b) Places value on alignment with partner countries’ priorities and systems</b>	<b>STRONG</b>
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MLF projects rely on partner implementing agencies and existing government systems to implement their activities. For example, in setting import and export quotas, the agencies work within the system that exists in the country. The implementing agencies are well versed in working within the systems of the countries in which they operate. Countries are involved both directly and indirectly with development and implementation of activities, and for some countries at present there is a high level of consultation on integration of HCFC phase out activities in national level energy efficiency or climate strategies.

<b>c) Provides voice for partners and other stakeholders in decision making</b>	<b>SATISFACTORY</b>
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The governing body of the MLF gives a balanced representation to developed and developing countries. The executive committee is made up of seven industrialised and seven developing countries which are elected annually by a meeting of the parties. Decisions are also made by consensus. This has been a successful model and other financial mechanisms such as the Global Environment Facility, the Mercury Fund and the Green Climate Fund have been very interested in the operation and conduct of the MLF.

Currently one industry and one green observer attend executive committee meetings, although this number has been higher in the past. There are no limits on the number of NGOs able to attend, but NGOs that want to attend for the first time need to apply in advance or join one of these approved observers. Interventions or the circulation of material can be done at the discretion of the chair. During a recent meeting, an NGO representative was allowed to circulate a document with its views on some of the projects and the direction they believe the projects should take. Interventions have also been made in relation to climate change related issues. Civil society representatives tend to participate when issues are being discussed that are relevant to their mandate.

<b>7. Transparency and accountability</b>	<b>STRONG</b>
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MLF publishes and makes available on its website all policies, procedures, guidelines, criteria and executive committee decisions and funding allocations. In addition, all meeting documents are publically available.

Resource allocations are based on the volume of ODS that need to be funded for phase out, work programs costs for technical assistance, demonstration projects and institutional strengthening, as well as standard costs. With HCFCs, the executive committee passed detailed guidelines prescribing how each country's allocation will be calculated.

UNEP provides treasury services to MLF's secretariat and is responsible for all financial management and ensuring accounts are audited. All financial documents are made available to the executive committee. UNEP has been assessed by the Australian Multilateral Assessment as satisfactory on this criterion.

MLF's guidelines clearly set out the expectations of partners on transparency and accountability.

<b>a) Routinely publishes comprehensive operational information, subject to justifiable confidentiality</b>	<b>STRONG</b>
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All MLF documents are made available on its website. For example:

- > all meeting documents (project proposals, reports, policy papers) since 1991
- > policies, procedures, guidelines and criteria decided on by the parties to the Montreal Protocol and the executive committee are published in the composite document titled *Multilateral Fund for the Implementation of the Montreal Protocol—Policies, Procedures, Guidelines and Criteria* and updated annually
- > all phase out plans and project documents are made available in the collated document titled *Multilateral Fund for the Implementation of the Montreal Protocol Phase Out Plans and Projects*, and
- > all decisions and funding allocations for HCFC phase out management plans are published in the document titled *Multilateral Fund for the Implementation of the Montreal Protocol HCFC Phase Out Management Plans*.

<b>b) Is transparent in resource allocation, budget management and operational planning</b>	<b>STRONG</b>
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Resource allocations are based on the volume of ODS that need to be funded for phase out, work programs costs for technical assistance, demonstration projects and institutional strengthening, as well as standard costs.

Costs of phasing out ODS in eligible countries are determined through the development of strategic national plans for the phase out of ODS, taking into account the country's ODS production and consumption habits. In relation to HCFC phase out plans, the executive committee's decision 60/44 prescribes how allocations will be calculated, but other decisions also provide guidance on budget allocations, implementation issues and policy requirements. There is a detailed resource allocation process that starts with business planning on an annual and triennial basis.

The executive committee has agreed on guidelines for projects. Project proposals that meet these guidelines are generally approved. These guidelines cover funding limits, cost effectiveness thresholds and special arrangements for low volume consuming countries. This provides for predictability in regards to resource allocation.

The executive committee reports annually to the meeting of parties to the Montreal Protocol on their activities.

At the project-level, there is regular reporting, as well as verification and auditing after project completion. This ensures sustainability of project outcomes and helps to ensure project objectives continue to be met.

All decisions and funding allocations for HCFC phase out management plans are published and available on the MLF website.

UNEP as the treasurer of MLF, also maintains a financial reporting system which allows transparency in relation to tracking the flow of funds and facilitates comparability and reconciliation.

<b>c) Adheres to high standards of financial management, audit, risk management and fraud prevention</b>	<b>SATISFACTORY</b>
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In regards to financial management, the secretariat provides documents to the executive committee every year which include reconciliation of accounts from the previous year, the budget for the following year and tentative budgets for subsequent years. Accounting processes are also transparent and are available to be reviewed by the executive committee. Documents that are not provided as a matter of course are available by request. In the past, Australian request for documents from the secretariat have always been met.

On the project-level, there are verification audits which ensure that the outcomes which have been indicated in project reports have been verified. These are useful and occasionally pick up discrepancies between the outcomes recorded by partners and outcomes actually achieved. When this occurs, further investigations are done in relation to the error. If the error is major, the executive committee may decide to take action. In a



worst case scenario, a country may be deemed non-compliant with their agreement with executive committee. In these cases, the executive committee can penalise the countries by reducing project funding. Each case is considered on its merits and leniency is given to countries that show good faith and do their best to rectify the non-compliance. Any indications of possible non-compliance with Montreal Protocol obligations are referred to the ozone secretariat for further advice.

UNEP provides treasury services to the secretariat and is responsible for ensuring audits of accounts are conducted.

The MLF relies on the fraud prevention policies of its implementing agencies, which are UNEP, UNDP, UNIDO, and the World Bank.

<b>d) Promotes transparency and accountability in partners and recipients</b>	<b>STRONG</b>
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The MLF promotes transparency amongst its implementing partners and partner countries. For example:

- > at the thirtieth meeting of the executive committee, the executive committee requested the secretariat to work with the implementing agencies in order to develop definitions and procedures that will lead to more transparency and consistency in the calculation of ODS phase out in project documents, as well as project completion reports,
- > in the *Guidelines for the Preparation, Implementation and Management of Performance-Based Sector and National ODS Phase out Plans* it states that the role of the lead implementing agency is to ensure that there is an operating mechanism which allows for the transparent implementation of the annual implementation program and for accurate reporting, and
- > the same document states that the project development process ought to be open and transparent in order to enable all appropriate expertise in a country to participate.